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ANNUAL REPORT

1 July 1969 - 30 June 1970

INSURANCE BRANCH

BENEFITS AND SERVICES DIVISION

OFFICE OF PERSONNEL

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15 July 1970

MEMORANDUM FOR: Chief, Benefits and Services Division

SUBJECT : Annual Report - Fiscal Year 1970

Attached is the Branch's Annual Report covering major accomplishments and significant developments during the period 1 July 1969 - 30 June 1970, specific plans for fiscal year 1971, and general objectives for fiscal year 1972.

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Chief, Insurance Branch

Attachments

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SECTION I

Major Accomplishments and Significant Developments

Health Insurance

As it is required by law to do not less often than every three years, the Civil Service Commission declared an Open Season on health insurance enrollments under the Federal Employees Health Benefits Program from 10 through 28 November 1969. This Open Season gave employees and annuitants an opportunity to change plans and to change their enrollments from self-only coverage to self-and-family coverage. Employees were also permitted to enroll if they had not previously done so. Changes elected in November became effective with the first pay period in 1970. The Association Benefit Plan went into this Open Season with the announcement that its premiums would not be increased for 1970 and major medical benefits for the treatment of mental and nervous disorders would be increased from 50% to 80%. Since almost all of the other plans participating in the Program were increasing their premiums, already in excess of the Association Plan's premiums, it appeared that the Association Plan was in a very favorable position. However, when the Open Season was over, 349 employees elected to transfer from the Association Plan to other plans (primarily Blue Cross-Blue Shield), and only 78 chose to transfer to the Association Benefit Plan. Of those that left the Plan, approximately half were in their twenties; 70% were under forty years old. This information coupled with the numerous inquiries and complaints about the disparity in maternity benefits leads to the conclusion that many of those who left the Association Benefit Plan did so because of the greater reimbursement of maternity expenses available under the Government-wide Service Benefit Plan (Blue Cross-Blue Shield). An appeal was made to the Civil Service Commission in December to permit an increase in maternity benefits for 1970 without raising premium. The appeal was granted; however, those who had elected to change plans during the Open Season could not be permitted to withdraw their election. Coverage of hospital expenses for maternity confinements was increased from \$30 per day to full coverage, and benefits for the professional charges of the doctor were substantially raised.

While the Association Benefit Plan experienced an enrollment loss during the Open Season, it closed the calendar year of 1969 showing a healthy financial position. In addition to money held in reserve for unrepresented claims, the Plan's funds in excess of operational needs (Special Reserve) exceeded \$847,000. It was because of this fact that the Plan

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declassification

could substantially increase benefits for 1970 without raising premiums. Although all information is not in and the underwriter has therefore not yet completed the first six months accounting statement for us and the Civil Service Commission, it appears that a sizeable portion of this reserve will still be left at the end of calendar 1970.

In April 1970, the Civil Service Commission issued its annual "call" letter announcing the deadline for benefit changes as 30 June and for rate changes as 31 August. With price quotations from the underwriter for various possible benefit increases, the GEHA Board of Directors met on 26 June 1970 and voted in favor of the following increases being proposed to the Commission:

- Provide Basic Surgical Benefits based on the District of Columbia Relative Value Study at a unit value of \$6.00.
- Extend maternity benefits to all persons covered under a family enrollment.
- Modify the current Major Medical provision for the coverage of dentists' services and treatment for repair of accidental injury to cover such expenses incurred within twelve months of the accident. (The current provision specifies within six months of the accident.)
- Modify the current Basic Benefit for Hospital Outpatient Expenses (\$202.50 per accident or illness) to \$250 per calendar year.
- Under the Major Medical Benefit provision, cover the first \$100 of charges by a psychologist for the initial testing and evaluation of a patient when recommended by the attending physician.
- Under the Major Medical Benefit provision, cover the charges of a qualified psychiatric day care center.
- Modify the current Plan definition of "doctor" to include an optometrist for those services covered by the Plan.

Since it had until 31 August 1970 to submit premium changes, the Board decided to postpone that decision until further financial information was available. In addition to the Plan's reserve position, another factor will have an influence on the premium decision, that being the strong possibility that Congress will increase the amount which the government contributes

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towards a federal employee's health insurance premiums. One such bill has been reported out of the Senate Post Office and Civil Service Committee, gearing the government contribution to a percentage of the average of the premiums of the two government-wide plans, the two largest employee organization plans, and the two largest comprehensive health plans.

The Contract Hospitalization Plan continues with an enrollment now fairly well stabilized at approximately 250, having suffered sizeable losses in the preceding years because of certain Contract Employees becoming eligible for the Association Plan. This stabilization will make it possible to discuss improvement of the Plan with the underwriter in the near future.

Life Insurance

Of greatest significance in the Life Insurance Area was the increase in coverage granted employees and dependents participating in the UBLIC Plan. This was possible primarily because the policy year which ended on 31 July 1969 showed a marked improvement in claims experience and a resulting refund of premium totaling an impressive \$254,915.00. Having fully funded the reserve necessary for the retiree benefits of the UBLIC Plan, the GEHA Board decided to increase the coverage for UBLIC participants, with the added cost to be deducted from the annual refund of premium. With an effective date of 11 May 1970, employees were given a 20% increase in coverage and their dependents coverage was also increased on a graduated scale, up to a maximum of \$3,000, according to the coverage held by the sponsoring employee. At this writing, claims experience also looks favorable for the current UBLIC policy year and another sizeable refund of premium is expected.

During the year, the underwriter was also consulted about possible ways of improving UBLIC coverage for retirees. Although not a closed subject, it was realized that this is an expensive area and some experience with the new increased coverage for employees should be gained before taking any steps in this direction.

The Contract Life Insurance Plan continues with an enrollment down to 277 from the year ago figure of 313. The GEHA Special Life Plan was closed out in February 1970 when one of the remaining two participants resigned and the other enrolled in a plan providing like coverage.

In May 1970, plans were formulated for the refund of excess advance premiums to employees who have their UBLIC, WAEPA, and Contract Life Insurance premiums payroll deducted. This excess builds up due to the

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fact that a month's premium is deducted every 28 days. Previously, it was left to accrue to the individual's account and when he changed back to vouchered funds he was asked not to pay any premiums until his excess had been used up. The plan to make a mass refund was the outgrowth of a discussion with SIPS personnel regarding possible future payroll deduction of all insurance premiums for all Agency employees and it is therefore somewhat ironic that such a large clerical hand operation should come about from a meeting with automation experts. The total project will involve some 1,400 employees receiving approximately \$80,000 and will be in four phases spanning from July until October 1970.

24-Hour Flight and Accident Plan (FAP)

The FAP policy was renewed for another policy year (1 May - 30 April) with no changes in existing provisions, maximums or premiums. No claims were filed and premiums of approximately \$72,000 were forwarded to the underwriter. This favorable experience added to previous figures of the FAP Plan reveal that it has finally worked its way out of the red. In the five years that this Plan has been in existence, benefits have totaled \$320,000 and premiums \$338,000. If this experience continues, we will be in a more favorable position with respect to policy renewal next April.

Flight Insurance

During the year, applications for Air Flight Trip Insurance increased by 143, while applications for Military Air Flight Trip decreased by 22. As has been the past practice of the underwriter, refund of 2% of the gross premiums for these two plans and for FAP was made to GEHA. This amounted to \$1,600.00.

Investment of GEHA Reserves

The previous report mentioned the intention of the GEHA Investment Committee to change from savings and loan accounts to more profitable forms of investment and it also mentioned the need for greater assistance of a trained accountant. The closing of the savings and loan accounts was accomplished and reserves other than that specified by Board action for stock investment are now invested in Federal National Mortgage Association Bonds with selected maturity dates. However, the need for accounting expertise still exists. This fact was recently underscored in the most in-depth audit that Insurance Branch has experienced in some time.

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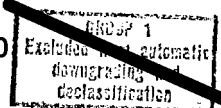
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Also of more than a little concern are the working conditions of the Magazine Building. Not all of the problems concern appearance, although this is an important factor in a work environment. Some conditions border on the unhealthy and unsanitary. Toilet facilities often go uncleaned, dirt and dust are allowed to accumulate, and filters on the air returns of the heating-cooling units in each office are long overdue for cleaning as evidenced by a thick build-up of dirt. In four and one half years of occupancy, the floors in this Branch have been cleaned and waxed only three times. Occasionally, even the cursory emptying of waste baskets and ash trays goes undone. Although this is admittedly an old song, it deserves another verse.

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SECTION II

STATISTICAL SUMMARY OF INSURANCE ACTIVITY

1 July 1969 - 30 June 1970

Life Insurance Coverage

WAEPA

New Applications	149	
Cancellations	140	
Policies in Force		25X9A2
Insurance in Force	\$ 45,432,000.00	
*Claims (12)	\$ 88,002.14	
Payment to Underwriter	\$ 229,939.58	

UBLIC

New Applications	156	
Cancellations	168	
Policies in Force		25X9A2
Insurance in Force	\$114,094,660.00	
**Claims (39)	\$ 309,937.50	
Payment to Underwriter	\$ 569,632.25	

CONTRACT LIFE

New Applications	13	
Cancellations	49	
Policies in Force		25X9A2
Insurance in Force	\$ 3,065,000.00	
***Claims (2)	\$ 25,000.00	
Payment to Underwriter	\$ 30,884.40	

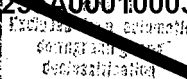
*2 at \$25,000, 1 at \$20,000, 8 dependents at \$2,000, and 1 dependent at \$2,002.14.

**6 at \$30,000, 2 at \$20,000, 1 at \$15,000, 1 at \$12,000, 1 at \$6,000. 2 retirees at \$10,000, 1 retiree at \$5,000, 1 retiree at \$3,541.67, 1 retiree at \$3,395.83. 21 dependents at \$1,000, 1 dependent at \$1,500 and 1 dependent at \$2,500.

***1 at 15,000 and 1 at \$10,000.

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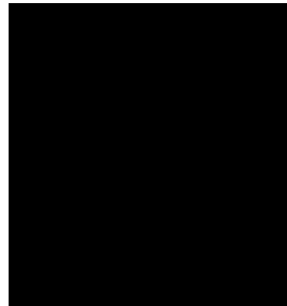
Health Insurance

ASSOCIATION PLAN HOSPITALIZATION (FEHBA)

25X9

New Applications
Cancellations
Policies in Force

Number of Claims
Claims Paid
Average per Claim
Payment to Underwriter



*These figures
are for the P/P
6/1/69 - 5/30/70

*These figures
are for the P/P
6/1/69 - 5/30/70

CONTRACT HOSPITALIZATION

New Applications
Cancellations
Policies in Force

Number of Claims
Claims Paid
Average per Claim
Payment to Underwriter

27) *These figures
73) are for the P/P

5/4/69 - 5/2/7025X9

167) *These figures
are for the P/P
6/1/69 - 5/30/70

\$ 34,410.61)
\$ 206.05)
\$ 33,351.46)

SPECIFIED DISEASES

New Applications
Cancellations
Policies in Force

Number of Claims
Claims Paid

Payment to Underwriter

86
170

0
0

\$ 9,338.96

25X9

AIR FLIGHT

New Applications
Cancellations
Policies in Force
Claims Paid (0)

Payment to Underwriter

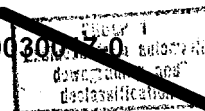


\$ 4,840.25

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*13 twenty-eight day pay periods

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MILITARY AIR FLIGHT

25X9

New Applications
Cancellations
Policies in Force
Claims Paid
Payment to Underwriter \$



FLIGHT AND ACCIDENT PLAN

New Applications 254
Cancellations 310
Policies in Force [REDACTED]
Insurance in Force \$74,860,000.00
Claims 0
Payment to Underwriter \$ 72,078.20

25X9

INCOME REPLACEMENT

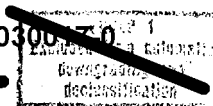
New Applications 24
Cancellations 37
Policies in Force [REDACTED]
Number of Claims 13
Claims Paid \$ 3,675.04
Payment to Underwriter \$ 24,248.65

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MISCELLANEOUS

21,657 checks written.

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SECTION III

Specific Plans for Fiscal Year 1971

1. The Contract Hospitalization Plan is in definite need of benefit improvements for the next contract renewal period and this will now be possible since its enrollment level has fairly well stabilized. Attention will also be given to the possibility of increasing the Agency's contribution toward the premium of this Plan as has been done for plans of the Federal Employees Health Benefits Program.
2. Discussions have already taken place with SIPS personnel regarding integration of Insurance Branch activities with the new payroll system, reportedly targeted for initial operation in calendar 1971. Continued coordination will take place on this matter toward the goal of automating many of Insurance Branch's clerical operations. However, despite the fact that Insurance Branch's present machine usage is on a hodge-podge of old and to-be-phased-out equipment, this will have to be lived with until corrected by the overall SIPS program.
3. As mentioned earlier in this report, the subject of continued UBLIC life insurance coverage after retirement has already been explored but no action taken. It will again be reviewed for possible improvement in fiscal 1971 or 1972.
4. It is felt that Insurance Branch offers excellent "buys" in several insurance areas but they are not fully taken advantage of because many employees do not know of them. All new employees receive an Insurance Briefing when they enter on duty, but this amounts to a quick 45 minutes in a day that is so full of briefings on such a variety of subjects that the new employee can hardly be expected to retain much of what he heard about insurance. Insurance Branch intends to overcome this with a follow-up letter from GEHA to the employee approximately 30 days after he is on board. It is believed that he will by that time be somewhat more receptive to information about our insurance program and more likely to make further inquiries.
5. Initial exploration has already taken place on possible within Branch relocation of assigned space in the Magazine Building. With a minimum of expenditure, this will make possible the use of some "dead" areas that now exist and also provide an area where customers can present and discuss their health insurance claims in private.

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6. Refund of excess advanced premiums for UBLIC, WAEPA, and Contract Life Insurance (mentioned previously in Section I) will continue through October.

7. Work will continue on a headquarters and field handbook on insurance in order to embody in one permanent publication, the provisions of eligibility, coverage, cost, and manner of payment of the various plans in the Insurance Branch program.

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SECTION IV

General Objectives for Fiscal Year 1972

No program changes are contemplated at the present time.

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